

Embargoed until 0001 (UK) 08 September 2023

# KPMG and REC, UK Report on Jobs

## UK recruitment activity weakens in August amid caution over economic outlook

### Key findings

Steepest drop in permanent placements for over three years

Temp billings decline for first time since July 2020

Pay pressures remain sharp, despite upturn in candidate supply

Data collected August 10-24

### Summary

The latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, signalled reduced recruitment activity across the UK during August. Permanent placements fell at a rapid pace that was the sharpest in over three years, while temp billings slipped into decline for the first time since July 2020. Recruiters frequently mentioned that the weaker economic outlook and cautious hiring policies had dampened recruitment activity.

The slowdown in hiring and reports of redundancies drove a further substantial increase in candidate availability. Concurrently, total vacancy growth continued to moderate, with the latest survey signalling a notable weakening in growth of demand for permanent staff. Nevertheless, competition for specific skills and the strong inflationary environment drove further increases in starting pay.

The report is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

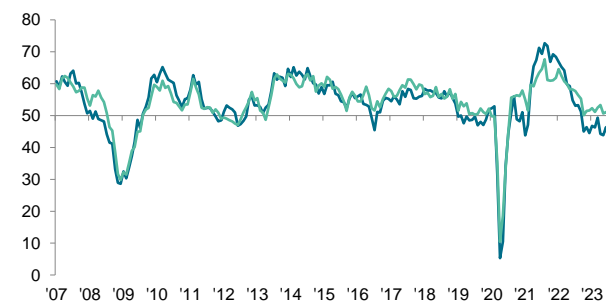
### Permanent placements and temp billings fall in August

August survey data pointed to a broad-based decline in hiring activity across the UK. Permanent staff appointments fell at a rapid pace that was the quickest seen in over three years, while temp billings also contracted.

Permanent Placements Index

Temporary Billings

50.0 = no-change



Sources: KPMG, REC, S&P Global PMI.

Though marginal, it was the first time the latter had declined since July 2020. Recruiters frequently mentioned that employers were hesitant to commit to new hires and adopted recruitment freezes due to a weaker economic climate.

### Overall candidate supply continues to rise rapidly

The overall availability of candidates expanded for the sixth straight month in August. Although the rate of improvement slowed from July, it was nevertheless the second-sharpest recorded since December 2020. There were widespread reports that redundancies and a general slowdown in hiring activity had driven the latest rise in labour supply, with both permanent and temporary candidate numbers expanding at rapid rates.

### Total vacancy growth slips to two-and-a-half-year low

Overall vacancy growth softened for the sixth successive month in August. Furthermore, the latest increase in demand for staff was the weakest seen in the current two-and-a-half-year sequence of expansion and only marginal. The slowdown was driven by a softer rise in permanent vacancies, which increased only fractionally, as growth of demand for temporary staff remained

Continued....

strong.

## Pay pressures remain elevated

Starting salaries and temp wages rose sharply in August, with recruiters often commenting that competition for scarce candidates and the higher cost of living had led employers to raise pay. However, the rate of starting salary inflation edged down to the joint-weakest since March 2021, and was much slower than that recorded a year ago. While temp pay growth picked up from July, it was the second-softest since April 2021.

## Regional and Sector Variations

Permanent placements fell rapidly across all four monitored English regions, led by the Midlands.

All four monitored English areas bar the Midlands registered a drop in temp billings during August. London recorded the quickest reduction overall.

Sector data indicated that the strongest increase in demand was seen for temporary staff in the private sector. Short-term vacancies meanwhile continued to rise only slightly in the public sector. Demand trends meanwhile diverged for permanent staff, with vacancies broadly unchanged in the private sector but rising modestly in the public sector.

Half of the ten monitored job categories registered higher demand for permanent staff in August. Hotel & Catering recorded the strongest rate of vacancy growth. Secretarial/Clerical and Retail meanwhile saw the steepest falls in demand.

Short-term vacancies expanded in the majority of the covered employment categories during August, led by Hotel & Catering. Demand for temporary Executive/Professional workers meanwhile stagnated, and fell in the Construction and Retail categories.

## Comments

Commenting on the latest survey results, Claire Warnes, Partner, Skills and Productivity at KPMG UK, said:

*“The August summer break has seen little change in the ongoing tight labour market conditions. If you’re looking for a new role – the market remains in your favour, as starting pay continues to be driven up by inflationary pressures and a high demand for candidates with specific skills across many sectors.”*

*“For recruiters, the picture is still complex. Despite an increasing pool of candidates this month, the economic outlook is keeping businesses cautious. Many employers aren’t ready to commit to permanent roles, and those who are indicate they cannot find candidates with the right skills, causing these placements to fall at a rapid pace during August – the sharpest for three years. Temporary billings slipped for the first time since July 2020, as squeezed budgets mean there’s little room to bring on short-term staff. But certain sectors, like healthcare are bucking this trend, with sustained high demand for both temp and permanent staff. And as the appetite for tech and AI expertise keeps increasing, the IT sector needs temporary workers to support more projects.”*

*“The underlying issue is that skills - or a lack of them – remain central to the tensions in today’s labour market, and significant investment now for the long term prospects of the economy is vital.”*

Neil Carberry, REC Chief Executive, said:

*“August is always a slower month for new permanent roles, but this has been exacerbated in 2023 by the lack of confidence to start the new hiring we saw among firms in the Spring. As inflation begins to drop, it is likely that firms will return to the market later in the year – employer surveys suggest confidence may be returning. But for now, the labour market has more slack than it has since the heights of the first lockdown. Firms continue to use temps to fill any short-run needs, with the small drop in August representing little change from the past few months.”*

*“Recruiters routinely describe this sober overall picture as harder, but not necessarily bad. Vacancies are still in a strong position. There are huge variations between sectors, too. Hospitality, Accounting, Logistics, Manufacturing, Engineering and Healthcare continue to grow strongly for both permanent and temporary roles, meaning employers are still experiencing shortages. Demand for permanent healthcare staff has now risen for 37 months, for instance. In many of these sectors temporary staff are keeping employers going – including in the NHS, where agencies have been unfairly blamed for failures of training and procurement practice from NHS England. A focus on effective skills reform will be vital to addressing shortages overall in all the shortage sectors.”*

*“With demand weakening, we see the drivers for rising pay being more to do with companies’ pay settlements for existing staff, rather than market demand. Those finding new jobs are benefitting from rises that many firms put in place for their teams earlier in the year. That said, data shows pay pressures remain sharp for permanent workers in some sectors driven by ongoing shortages.”*

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## Methodology

The KPMG and REC, UK Report on Jobs is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## About KPMG

KPMG LLP, a UK limited liability partnership, operates from 20 offices across the UK with approximately 17,000 partners and staff. The UK firm recorded a revenue of £2.72 billion in the year ended 30 September 2022.

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## About REC

The REC is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. Find out more about the Recruitment & Employment Confederation at [www.rec.uk.com](http://www.rec.uk.com).

## About S&P Global

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